

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



LASSEN COUNTY FAIR
SUSANVILLE, CALIFORNIA

MANAGEMENT REPORT #08-087

YEAR ENDED JUNE, 30 2008

LASSEN COUNTY FAIR
SUSANVILLE, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED JUNE 30, 2008

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MANAGEMENT REPORT NUMBER
#08-087

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

County of Lassen
Board of Supervisors
Lassen County Fair
195 Russell Avenue
Susanville, California 96130

Pursuant to Food and Agriculture Code Section 4505, every county that conducts a fair for which any apportionment is sought, shall file a detailed statement of its operations in the previous calendar year with the California Department of Food and Agriculture (CDFA) on or before the 1st day on March in each year. The content and form of the statement shall be prescribed by the department, more specifically the Division of Fairs and Expositions (F&E).

Our office was engaged to conduct the audit of the Lassen County Fair, Susanville, California, for the fiscal year ended June 30, 2008, to ensure compliance with F&E reporting requirements. In planning and performing our audit of the Fair, we considered its internal control structure in order to determine the nature and extent of our auditing procedures, not to provide assurance on the Fair's internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Lassen County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.



Due to the small size of the Lassen County Fair's administrative staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the County of Lassen Board of Supervisors and Lassen County Fair Advisory Board must consider this when determining the extent that they become involved in operations to adequately safeguard the Lassen County Fair's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the Lassen County Fair in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board of Supervisors review and approve significant transactions and critically review monthly financial information. The Lassen County Fair's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the Lassen County Fair's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the Lassen County Fair and compliance with state laws and regulations, we identified one area with reportable conditions that are considered weaknesses in the Fair's operations: accounting for fixed assets. We have provided four recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the Fair's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

In examining the Fair's property ledger and related fixed asset accounting records, the following conditions were revealed:

- a. The Fair does not maintain adequate records tracking State funds utilized for acquisition and improvement of equipment and real property, such as land and buildings. As a result, based on records currently maintained, it would be difficult to determine whether State funds were utilized for the acquisition or improvement of any property. California Government Code Section 25902 states, "there shall be paid into the Division of Fairs and Exposition (F&E) fund in the State Treasury from the proceeds of sale an amount equal to that proportion of the cost of real property and improvements, which was paid for out of funds apportioned or allocated by the State for Fair purposes, less a reasonable allowance for depreciation in value approved by the Department of Agriculture." Since both F&E and the California Construction Authority (CCA) are extensions of the State, funds allocated by them should be tracked and monitored by the Fair. This was a prior year audit finding.
- b. Per the CCA Closed Project Status Report, since 2000, the Fair failed to record seven (7) projects totaling \$346,885. In addition, the Fair capitalized the project costs for the RV Electrical and Jensen Hall Projects in the amount of \$9,425 and \$73,209, respectively, when according to the CCA Closed Project Status Report the actual capital project costs were \$18,633 and \$121,312, respectively.
- c. There is no evidence a physical inventory of equipment was performed within the preceding three years. According to the Accounting Procedures Manual, F&E recommends a thorough physical inventory every three years. Physical inventory should be conducted by personnel other than those in charge of the asset. In addition, inventory worksheets should be signed and dated by both the individual performing the inventory and the CEO. Any missing or unaccounted assets noted should be researched to determine the cause of the misappropriation. This was a prior year audit finding.
- d. The depreciation schedule and equipment inventory sheet appear to be inaccurate and incomplete with neither containing the same depreciable equipment. Our office noted the total historical equipment cost per the depreciation schedule prepared by the County was \$208,606, while the Fair's inventory list totaled \$150,000. This resulted in a \$58,606 variance between the two lists.

Recommendations

1. *The Fair should comply with Government Code Section 25902 and design a system that monitors and tracks all current and prior years' funds that were received from F&E and*

CCA for acquisitions and improvements throughout the years. The Fair should ensure their records have adequate descriptions and cost information for all items purchased or constructed.

- 2. The Fair should adjust their accounting records to include the seven (7) omitted and two (2) incorrectly recorded capital projects. They should improve accounting over capital project costs by maintaining timely and accurate records for each project completed during the year. Furthermore, the Fair should reconcile its property ledger with CCA's closed project status reports prior to closing its accounting records.*
- 3. The Fair should perform a physical inventory for equipment at least once every three years to account for and control fixed assets located on the fairgrounds. They should consult with F&E and the County Auditor's Office regarding the nature, timing and extent of such inventory.*
- 4. The Fair should reconcile its equipment inventory sheet with County depreciation schedule to avoid any discrepancy. They should consult with County Auditor's Office regarding any discrepancies between the Fair and County.*

NON-REPORTABLE CONDITIONS

CARNIVAL REVENUE

The Fair did not obtain adequate supporting documentation from the carnival contractor to confirm its share of carnival gross revenue. The Fair obtained the carnival settlement sheet showing daily revenue received from carnival activities; however, the Fair did not obtain all detailed supporting documentation such as the daily carnival report to justify the gross revenues reflected on the settlement sheet. As a result, our office could not verify the accuracy of all carnival gross revenue reported and determine whether the Fair received its proper share of such revenue. This is a prior year audit finding.

In addition, the Fair exposed itself to loss by not having a representative of the Fair sign the carnival settlement sheet to certify the carnival revenue reported by the carnival contractor. Both the fair and the contractor should sign the settlement sheet to validate the accuracy of the settlement sheet prior to any final monetary settlement.

Recommendations

The Fair should obtain and review daily receipts and ticket inventories for all carnival activity and game concessions. Receipts and ticket inventories should be reconciled to the settlement sheet upon conclusion of the Fair to ensure the contractor is providing accurate revenue information. From there, the agreed upon percentage due to the Fair can be calculated based on total carnival revenue which the Fair has validated.

The Fair should ensure the carnival settlement sheet has been reviewed and signed by both parties to alleviate any discrepancies that may later arise.

REVENUE CONTRACT CONTROLS

Our office examined the Fair's accounting and internal controls for revenue generating contracts and we noted the control logs for various revenue generating contracts are incomplete. No formal, consistent method was used to track the contracts; therefore, revenues cannot effectively be traced to the general ledger, which makes it difficult to determine if all revenue due is actually collected. This is a prior year audit finding.

Recommendation

Control logs should be adequately maintained, and the Fair should indicate the status of each contract on each control log and update the log as changes occur. Logs should include contract number, name of vendor/rentor, date of event, amount of contract, deposit received, receipt numbers and any other pertinent information the Fair feels necessary.

COUNTY FAIR ASSOCIATION'S RESPONSE

Lassen County Fair

"RemarkaBULL"



195 Russell Avenue
Susanville, CA 96130
Telephone (530) 251-8900
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www.lassencountyfair.org

Jim Wolcott, Fair Manager

March 26, 2009

Department of Food & Agriculture
2014 Capitol Avenue, Suite 107
Sacramento, CA 95814

Re: Response to Audit Report #08-087

Dear Sir:

In response to the Lassen County Fair's Audit, Management Report #08-087 we respectfully submit the following.

Accounting for Fixed Assets

1. The Lassen County Fair is working with the Lassen County Audit Office to organize previous years funds spent on fixed assets as wells as future funds received.
2. The Lassen County Audit Office has kept track of the Fair's depreciation. In the past years the CCA project close outs were not given to the Audit Office, so they were figuring project costs by the invoices that were paid directly by the Fair rather than the total project cost. At this time the County Auditors have been given the past project close outs and is currently updating their records.
3. The Lassen County Fair has kept a physical inventory of equipment. The Fair was unaware that they are expected to have someone sign off on the inventory list at the time of inspecting the inventory. At this time the Fair's maintenance man is checking the equipment and signing off on the inventory spreadsheet.
4. The Fair is currently working with the County Audit office to find the discrepancy between the two office's equipment inventory sheets.

Carnival Revenue

1. The Lassen County Fair has continually had difficulty receiving proper documentation from the carnival company. We will continue to work with the carnival company to receive adequate documentation of their sales. The carnival settlement has always been reviewed by both parties and will now be signed off by both parties as well.

Revenue Contract Controls

1. The Lassen County Fair employs a seasonal worker to take care of the concession contracts during fair time. Sometimes the logs are not fully completed before the end of that person's employment. The full time employees will now be more aware of completing these logs if it has not been completed by the seasonal employee. Although the logs were not complete payment was received on all contracts. Each contract has the receipt stapled to it showing payment amount and check number.



Jim Wolcott, Fair Manager

Date 3/30/09



Tim Bruce, Fair Board President

Date 3/30/09

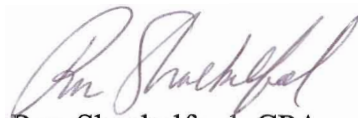
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the Lassen County Fair for its review and response. We have reviewed the response and it adequately addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between February 17, 2009 and February 19, 2009. My staff met with management on March 3, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", is positioned above the printed name.

Ron Shackelford, CPA
Chief, Audit Office

February 19, 2009

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	County of Lassen Board of Supervisors
1	Chief Executive Officer, Lassen County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office